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Biz of Acq — Planning for the Unplannable: Meeting Unexpected Collections Budget Demands

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Unplanned budget demands can take many forms. Any one of these events can cause a financial crisis: cost overruns due to license agreement renegotiations, budget cutback from administration, fluctuations in inflation or currency exchange rates, unanticipated standing order deliveries, programmatic errors in predicting patron-driven purchases, or miscalculations of approval plan projections. Human errors anywhere along the supply chain including with publisher or vendor staff can create financial problems.

Our library faced unanticipated budget demands when mid-fiscal year, our Demand Driven Acquisitions (DDA) program ran out of funds. Our library had agreed to participate in a pilot program for a consortial DDA program with several other libraries. Within six months after turning on the DDA, however, the original allocation was expended and each library was required to contribute additional funds. Another three months later, the libraries were again required to contribute additional funds. Although these unexpected expenditures were not overwhelming and the additional expenditures were supported by our library administration, these unexpected expenditures could have been devastating to our library's collections budget. However, due to advanced planning for the unexpected, we could absorb these unexpected costs. So how did we manage these unanticipated expenditures?

Successfully planning for unexpected budget expenditures requires several actions on the part of the budget manager. First, you must have a well-conceived and logical budget ledger with carefully thought-out and defined funds.¹ Second, you must have a clear understanding of your library expenditures and be able to anticipate a full year of expenses. It is important to keep in mind that different kinds of expenditures behave in different ways depending on the resource, the vendor, and the format. Third, you need to understand how much flexibility you have in your budgeting authority as well as where you can build flexibility into your budget. Finally, be aware of where you can make quick cancellations in your collection.

Understand Your Expenditures

Defining your collection funds and setting up a logical ledger is the first step towards understanding how you are expending your allocated financial resources. The library literature provides many examples of how libraries have created and defined the funds within their library ledgers. Funds should be granular enough that they provide informa-

tion by subject, format, acquisitions vehicle, funding source, etc. Your fund tree should be flexible enough that it can create useful analytic reports to explain your library's spending patterns.²

In most libraries, there are two basic forms of expenditures — one-time expenditures and ongoing expenditures. In organizing your budget ledger, keep these two categories separate. Ongoing expenditures include serials, standing orders, journals, database renewals — essentially any type of resource which is “repurchased” each year through a renewal in order to maintain access to the current content. Purchasing continuations creates an expectation in your users that the content of that database or periodical will be available and current. At the beginning of each fiscal year, allocate enough funds in your new budget to cover all your renewals with an estimated rate of inflation. You can get inflation projections from a variety of sources including vendors or from library literature. *Library Journal* publishes an annual periodical price projection every April.³ Each year, allocations need to reflect these renewals in addition to an estimated percent of inflation which fluctuates from year to year but which may be from 5%-8% or even higher depending on format and subject matter.

One-time expenditures or firm orders are typically payments for monographs or other resources whose content is static and purchased with a single payment. At the beginning of each fiscal year, contact your approvals vendor to get an approximation of the cost of any approval plan which you may have. The proportion of your budget which is allocated to firm or one-time purchases is your discretionary money. These funds get expended as titles or packages are selected. These allocations give you flexibility because you have some control over whether you will purchase these titles. In the event of a budget emergency, you can always reduce the allocation of your firm orders to cover a cost over-run in another area.

Our library's collections budget also pays for collection maintenance and service items such as bibliographic records purchases, binding, systems fees, etc. Even for these annual costs, we track where we have flexibility for a last minute cancellation. Can we stop preparing bindery shipments to transfer funds to cover a cost over-run in a different area? Can we order replacement copies only on request?

Strategies for Creating Savings

How can you find unallocated funds to cover a cost over-run or solve some budget crisis? You should be aware of how much flexibility

and authority you have in creating funds and establishing allocations. In our library, we do have the authority to set up any necessary funds and to establish allocations for those funds. If this is the case for you as well, first, set up a discretionary account which you can use to cover a budget emergency. If you end the fiscal year without needing these funds, then you can use these funds to make end of year one-time purchases. In our library, we are required to expend our entire collections budget within the span of a single fiscal year. However, if you can, it would be even more advantageous to roll over these “discretionary” funds from one fiscal year to the next. At our library, we were able to use funds which we had allocated to a discretionary account in order to enter into a consortial DDA agreement midway through the fiscal year, and then to cover the unexpected increase in DDA costs.

Second, know which vendors maintain deposit accounts or credit balances on your behalf. Setting up, replenishing and using credits or deposit accounts strategically can help out when you are faced with a budget emergency. If you can generously replenish deposit accounts in flush years, you will develop a cushion which you can rely on when you need to reallocate funds for an immediate need. If your vendor maintains a credit account for you, check with your subscription vendor at least annually to track how much you have accumulated in credits. With some vendors, you may need to inform them when to use a credit to pay an invoice. Depending on the rules outlined by your financial office, you may need to use credits in the same fiscal year as they were accumulated. Be aware of the flexibility which you may or may not have in using these funds. If you can carry over credits from one fiscal year to next, then you can maintain a balance in your credit account which you can then use to make payments. Although we have this flexibility in our library, we tend to use our credits as soon as we receive them in order to keep reporting of title costs accurately.

Strategies for Making Quick Cuts

In planning for the unplanned budget emergency, you can take advantage of several strategies.

First, conduct annual reviews of usage for all types of continuations. One of the most painful budget emergencies is a recession or a reduction in the overall budget. Although it's common to get advanced notice of a budget cut prior to the start of the fiscal year, it could happen that a recession is announced mid-fiscal

continued on page 56

year. In this situation, you must be prepared to make immediate and effective cuts quickly.

One of the best preparations for this type of budget crisis is to have completed a serials assessment or review. A comprehensive serials review is labor intensive and time-consuming. If you have not done some kind of serials review in the past, you may not have the time to undertake a thorough review. For this reason, I advocate that you conduct a serials assessment even if you are not facing a budget shortfall or a call to cut titles.

A completed serials review will provide data which identifies titles which you can cancel in order to meet a budget cut.

The prevalence of serials reviews and journal cancellation projects is widely available and well-documented.⁴ Information on how to conduct a serials review as well as what to do with the analysis of serials usage varies depending on the goals of the review and whether cancellations are dictated by a budget reduction.

If a comprehensive review of all serials titles is too time-consuming, you can choose to review a portion of your serials collection, such as databases only or journals only. Alternatively, you can review titles based on formats. For example, you can review titles which you receive in multiple formats in order to determine if the redundancy is necessary. You could choose to do a review of all titles from a particular vendor only or a review of all the titles which you receive as part of a package.



A review of databases rather than periodical titles may be more manageable for several reasons. Typically, libraries have fewer database titles than journal titles. Second, database titles are frequently a high-cost item. By reviewing all databases and then cutting only a few titles from the collection, you can quickly and efficiently reach a budget cut target. Database usage and cost per use assessment is a standard data point for deciding whether a title is a good value for the library. Even if your library is not facing a budget reduction, conducting a review of your library databases can prove useful from a number of perspectives.

The most difficult year of a serials assessment project is the first year. The first time you conduct a serials assessment, you will be setting up routines including running reports on your data, understanding usage reports including COUNTER and SUSI standards, setting up excel spreadsheets, establishing communication avenues, and workflows. After the first year, you will have established templates and you will be updating existing spreadsheets, so the process becomes easier and more routine. By establishing a culture of serials assessment, you will be armed with information that may be useful in finding quick cancellations which can help resolve an unplanned budget crisis.

Vendor Relations

At any time, you should always consider working with your book or serial vendor. In many cases, they can suggest cost saving techniques which can help bridge a temporary financial crisis. For example, our approvals

vendor has suspended book shipments or held standing order shipments. We have also worked with our bindery to temporarily hold sending bindery shipments. Vendors can provide extremely helpful assistance when you are facing an unplanned budget problem.

Conclusion

Although unplanned financial expenditures are challenging, with some pre-planning, they do not need to be catastrophic or unmanageable. A pro-active and knowledgeable budget manager can handle these unexpected situations without panic. By knowing the extent of your authority, understanding your expenditures and fund structure, building flexibility and a cushion into your budget, conducting a review of periodicals or database usage, a budget manager can meet many different types of unplanned budget emergencies. 🌿

Endnotes

1. **Cathy Moore-Jackson, Mary Walker and John Williams**, "Essential Elements of a Fund Tree Design: Logical Transaction Records and Enabled Reporting," **Charleston Conference**, November 11, 2006, Charleston, SC.
2. **Lynda Fuller Clendenning, J. Kay Martin and Gail Mckenzie**, "Secrets for managing materials budget allocations: A brief guide for collection managers," *Library Collections, Acquisitions, and Technical Services* 29, no. 1 (2016): 99-108.
3. **Stephen Bosch and Kittie Henderson**, "Steps down the evolutionary road," *Library Journal* 139, no. 7 (April 15, 2014): 32-37.
4. **Paula Sullenger**, "The Promise of the future: A review of the serials literature, 2012-13," *Library Resources & Technical Services* 60, no. 1 (2016): 12-22.

Both Sides Now: Vendors and Librarians — Reinvention

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It will come as no surprise to those of you who know me that I have a profound love of music. That devotion began when I was 12 years old. At that time, my parents bought me a record player for my birthday. When a neighborhood friend found out about the purchase of the record player, her son brought me the Top 10 records of the day as a gift. I repeatedly played those 45s, memorized all the pertinent information contained on the label about the music on those records and began a lifetime of collecting vinyl which continues to this day.

Usually, when we have guests at our house, I am prompted to show my record collection and even play a few tunes on the stereo and/or the Seeburg jukebox. Recently, one of my friends asked me about the records I had pertaining to **Rod Stewart**. A long-time favorite of mine, **Rod** has gone from a 60's garage band rocker to a solo singing career to a spandex wearing disco singer to now, where he is

the Great American Songbook crooner. He has consistently reinvented himself over his many decades as performer. And each time it looks like **Rod's** career is coming to an end, he totally reinvents himself and becomes a success all over again. He is the poster child for "reinvention."

In any profession, the road to accomplishment is filled with potholes, diversions and often strewn with people who may not have your best interests at heart. The successful person reads the writings on the wall and deals with all those diversions and adapts themselves accordingly.

Pat Riley, one of the most successful coaches in the history of professional basketball, wrote about reinvention in his book, *The Winner Within: A Life Plan for Team Players*. **Pat** came from humble beginnings in Schenectady, New York to win many championships as a player and coach and deservedly was inducted

into the Basketball Hall of Fame in 2008 in recognition of his incredible achievements on and off the court. I have read his book, referred to it many times and have found it an invaluable resource during my years as a successful sales executive in the information industry as I, too, consistently reinvented myself to adapt to whatever situation was in front of me.

In the book, **Riley** talks about the inevitable changes that we all have to cope with, both in our professional and personal lives. He calls those challenges "thunderbolts from the sky" as a description of the changes that life throws at all of us. Even though many of these thunderbolts appear at the worst possible moments of our lives, we need to recognize how to cope with them and then overcome them, as well. My advice to people who are frustrated with the curve balls that life throws at them is, "Don't get mad; get ahead!"

continued on page 57